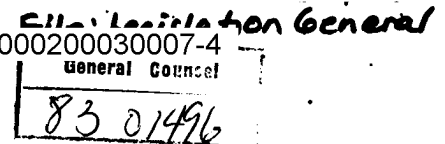




OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503



FEBRUARY 18, 1983

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer-  
Department of Defense  
Department of the Treasury  
Office of Personnel Management  
Department of Labor  
U.S. Information Agency  
Department of Agriculture  
Department of Commerce  
Central Intelligence Agency ✓  
Veterans Administration  
National Security Council

SUBJECT: State draft proposal, the "Hostage Relief Act  
Amendments of 1983."

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than THURSDAY, MARCH 10, 1983.

Questions should be referred to Tracey Lawler ( 395-4710 ), the legislative analyst in this office,

*Telephoned "no objection"  
to Tracey 3-1-83*



*Ronald K. Peterson*  
RONALD K. PETERSON FOR  
Assistant Director for  
Legislative Reference

STAT

Enclosures

cc: Jim Barie  
Tom Stanners  
John Merck



## DEPARTMENT OF STATE

Washington, D.C. 20520

Dear Mr. Speaker:

Enclosed for the early consideration of the Congress is a draft bill and related material to provide a permanent framework for the treatment of U.S. citizens taken hostage by foreign powers. The bill is based upon the report of the President's Commission on Hostage Compensation of September 21, 1981, and on the analysis of interested agencies.

The draft bill would make permanent a number of the provisions of the Hostage Relief Act of 1980, Public Law 96-449, enacted October 14, 1980. Specifically, the bill would authorize the following for government civilian and military personnel and members of their families in the event of a future hostage taking abroad directed against the U.S. Government:

- deposit of the portion of a hostage's pay and allowances not needed by dependents in a special savings fund;
- payment of medical expenses incident to the hostage taking not otherwise covered (e.g., by the Federal Employees' Compensation Act which covers death and injury or illness resulting from or during the hostage situation);
- VA-type education benefits, primarily for spouses and children of hostages;
- the filing of a joint income tax return by a spouse;
- postponement of certain tax deadlines; and
- payment of a detention benefit to Iranian and any future hostages determined in accordance with regulations authorized to be issued by the President.

The above provisions, in general, would be applicable only to federal civilian and military personnel. In addition, section 6 of the enclosed draft bill would extend the provisions

The Honorable  
Thomas P. O'Neill, Jr.,  
Speaker of the House of Representatives.

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of the Soldiers' and Sailors' Civil Relief Act to any individual taken hostage during an action directed against the U.S. This would defer certain tax deadlines and permit a court to stay many types of civil actions when an individual was prevented from performing because of captive status.

The Department is advised by the Office of Management and Budget that there is no objection to the presentation of this proposal to the Congress from the standpoint of the Administration's program.

A similar letter has been sent to the President of the Senate. We urge early and favorable consideration by the Congress.

Sincerely,

Powell A. Moore  
Assistant Secretary for  
Congressional Relations

Enclosure:

Draft bill and related material.

A BILL

To amend the Hostage Relief Act of 1980, and for other purposes,

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Hostage Relief Act Amendments of 1983".

Sec. 2. Section 101 of the Hostage Relief Act of 1980 (94 Stat. 1967) is amended as follows ---

(1) Amend the first sentence by deleting "title" and substituting "Act".

(2) Amend paragraph (2) to read as follows:

"(2) The term 'hostage period' means the period beginning and ending on a date determined by the Secretary of State and published in the Federal Register."

(3) Amend paragraph (4)(A) by inserting "activities of" immediately after the term "against".

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Sec. 3. Section 102(a) of the Hostage Relief Act of 1980 (94 Stat. 1968) is amended by inserting after "American hostage" the first time it appears "who remains in a captive status for 30 days or more".

Sec. 4. Section 103 of the Hostage Relief Act of 1980 (94 Stat. 1968) is amended as follows ---

Delete "and" after paragraph (1), change the period at the end of paragraph (2) to "; and" and insert the following new paragraph (3): "(3) is not covered by other Government medical or health programs.".

SEC. 5. Section 104 of the Hostage Relief Act of 1980 (94 Stat. 1968 to 1969) is amended by--

(A) deleting "shall" in subsection (a)(1) and inserting in lieu thereof "is authorized to";

(B) amending subsection (a)(2) to read as follows:

"(2) Payments are authorized to be made under this subsection for education or training of a spouse or child of an individual who is an American hostage or whose death is incident to being an American hostage, on the same basis as

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educational assistance benefits are provided for individuals made eligible under sections 1701(a)(1)(A)(i) or (iii) or 1701(a)(1)(B) or (C) of title 38, United States Code, except in order to respond to special circumstances, the President may specify a date for purposes of cessation of assistance under this paragraph which is later than the date which would otherwise apply."

(C) deleting subsection (a)(3) and redesignating subsection (a)(4) as subsection (a)(3);

(D) amending subsection (a)(3) (as redesignated by (C) above) to insert immediately before the period "or similar assistance under any other law"; and

(E) inserting immediately before the period in subsection (b)(1)", to the extent that such payments are not authorized by any other law".

Sec. 6. Section 105 of the Hostage Relief Act of 1980 (94 Stat. 1969) is amended as follows:

a. In subsection (a) delete "an American hostage" and substitute "an individual who is placed in a captive status during a hostage period".

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b. In subsections (b) and (c) delete "American hostage" each time it occurs and substitute "individual".

Sec. 7. Sections 106, 201, and 202 of the Hostage Relief Act of 1980 and the headings thereto (94 Stat. 1970-1971) are repealed.

*- Compensation excluded from gross income income taxes where death results from capture or loss*

*Definitions + Special Rules* Sec. 8. Subsections (a) through (c) and (e) through (h) of section 205 of the Hostage Relief Act of 1980 (94 Stat. 1971-1973) are repealed and the designation "(d)" before the word "Hospitalized" deleted.

*- Study of Tax Treatment of Hostages* Sec. 9. Section 206 of the Hostage Relief Act of 1980 (94 Stat. 1973) is repealed.

*- Treatment of Hostages in Iran* Sec. 10. Title III of the Hostage Relief Act of 1980 (94 Stat. 1973 to 1974) is repealed.

Sec. 11. Add the following new Title III to the Hostage Relief Act of 1980 ---

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"Title III - ADDITIONAL HOSTAGE BENEFITS

"Sec. 301. For any captive status occurring on or after November 4, 1979, the President is authorized to provide a payment to any American hostage or to the surviving spouse or dependent of any hostage who dies in captive status. Such payment shall be in addition to any other benefit provided by law.

The President, in determining whether to make such a payment and its amount, may take into account unusually harsh treatment received by the hostage. The President shall prescribe regulations for the implementation of this section."

Sec. 12. Add the following new Title IV to the Hostage Relief Act of 1980 ---

TITLE IV - SAVINGS PROVISION

"Sec. 401. All determinations, authorizations, regulations, orders, agreements, or other action made, issued, undertaken, entered into, or taken under the authority of provisions of the Hostage Relief Act of 1980 repealed by this Act shall continue in full force and effect until modified,



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revoked, or superseded by appropriate authority. Any claims or appeals which were filed or made or are hereafter filed or made in timely fashion by a person heretofore eligible to file or make such claim under any such provision shall continue to be governed by the repealed provision."

## HOSTAGE RELIEF ACT AMENDMENTS OF 1983

### SECTION-BY-SECTION ANALYSIS

Section 1 of the bill is the short statutory title.

Section 2 of the bill contains amendments to section 101 of the Hostage Relief Act of 1980 (hereafter "the Act").

The first amendment is related to an amendment to section 205 of the Act (section 8 of the bill) which repeals definitions applicable only to Title II of the Act, and it means that the definitions in section 101 of the Act apply to the whole Act.

The central definition for the whole Act is the term "American hostage", and this term is not changed from the 1980 Act. An American hostage may be either a federal employee in the civil or uniformed service of the United States or a citizen or permanent resident alien of the United States rendering personal service to the United States abroad similar to that performed by a civil officer or employee as determined by the Secretary of State. It might be used, for example, for someone on a personal services contract performing work on a short term intermittent basis as contemplated in Section 16 of the State Department Basic Authorities Act of 1956. The latter category was designed to cover the administrator of a school supported by the United States Government. It is needed to cover similar exceptional, quasi-federal employee cases and will be part of the permanent legislation. Contractors generally, as well as employees of contractors, will not be eligible. The Defense Base Act (42 U.S.C. 1651) and War Hazards Compensation Act (42 U.S.C. 1701) provide insurance protection for contractors and their employees against the kind of risks encountered by hostages. Coverage under this Act is not considered necessary or appropriate for those covered by the cited Acts.

The second amendment makes the Act permanent legislation by eliminating the January 1, 1983 termination date. It authorizes the Secretary of State to define hostage periods by publishing the beginning and termination dates of such incidents in the Federal Register. It is not intended that any period prior to November 4, 1979 be declared a hostage period for this purpose. The third amendment clarifies the intent to cover hostile actions resulting from the presence and political visibility of United States operations abroad, in cases where U.S. Government buildings may not be directly involved.

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Section 3 of the bill amends section 102 of the Act to permit allotment of pay and allowances to a savings fund for those who remain in a captive status for 30 days or more effective from the beginning of the captive status. Savings fund allotments for the Iranian hostages will not be affected by the amendment.

Section 4 of the bill amends section 103 of the Act and makes clear that medical benefits under the Act are intended to supplement, not duplicate, existing government medical or health benefits (e.g. Federal Employees' Compensation Act which covers illnesses incurred during or resulting from the hostage situation). Section 2 of the bill, by making the Act permanent, makes clear that medical benefits to Iranian hostages and their families may continue after the original 1983 termination date.

Section 5 of the bill contains five amendments to section 104 of the Act. Subsection 104(a)(1) is amended to authorize educational benefits for the family of hostages, rather than require them to be paid. This permits the overall benefit package to be tailored to particular hostage situations.

Similarly, subsection 104(a)(2) is amended to authorize, but not require, payment of educational benefits. It is also revised for editorial reasons to incorporate subsection (a)(3), which is repealed.

Subsection 104(a)(4) of the Act is amended to make clear that educational benefits for hostage families under the Act are intended to supplement, not duplicate, other government educational benefit programs.

Similarly subsection 104(b)(1) of the Act is amended to make clear that educational benefits for hostages supplement, not duplicate, other benefit programs.

Section 6 of the bill amends section 105 of the Act to extend the civil relief provided to federal employees by that section to all individuals with property rights in the U.S. who are placed in a captive status abroad during a hostage period.

Section 7 of the bill repeals sections 106, 201 and 202 of the Act. Section 106 provided hostage benefits to a Peace Corps volunteer and has served its purpose. Section 201 exempted federal salaries and allowances earned by the Iranian hostages during their captivity from federal income taxes. Section 202 exempted from federal income taxes during certain years all income of any Iranian hostage who died as a result of captivity. These provisions were patterned after 26 U.S.C.

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112(d) and 692 which provided similar benefits to POW's in the Vietnam conflict. They provided special recognition to the Iranian hostages. They are being proposed for repeal at the request of the Department of the Treasury as inappropriate for inclusion in permanent hostage relief legislation and because they provide greater tax benefits to those in higher tax brackets than to others.

Section 8 of the bill repeals definitions applicable only to Title II of the Act as unnecessary because of expansion of the definitions in section 101 to cover the whole Act. It also repeals section 205(f), which provided special tax treatment for the one private person among the hostages in Iran, because it has served its purpose.

Similarly, section 205(g) of the Act, which provided special tax benefits to a Peace Corps volunteer, has served its purpose and is repealed.

Section 9 of the bill repeals section 206 of the Act, which calls for a study of tax treatment of hostages. The due date for the study has passed.

Section 10 of the bill repeals old Title III of the Act, which related solely to the Iranian hostage case. It is obsolete.

Section 11 of the bill adds a new Title III to the Act. This title contains a single section which authorizes a payment to federal civilian and military personnel who were taken hostage during the Iranian hostage period or who may be taken hostage in the future. The President would invoke this authority when, in his judgment, the circumstances were appropriate, taking into account the treatment of the hostages. The amount and method of payment would be prescribed by regulation in each case. It should be noted that for the Iranian hostages, the payment will be provided in accordance with the recommendation of the Presidential Commission on Hostage Compensation, except that payments will be subject to taxation. Agencies will absorb the costs of these payments through current appropriation funding.

Section 12 of the bill adds a new Title IV to the Act. This title contains a single section to make clear that the provisions of the Hostage Relief Act of 1980 being repealed by this Act remain valid for individuals now covered by those provisions--the Iranian and other eligible former hostages and their families. Such former hostages with valid claims may continue to be granted benefits under the provisions proposed for repeal.